

**KINGFISHER PLC**  
**(the 'Company')**

**TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

**1. Membership**

- 1.1. The Committee shall consist of not less than three members. The Committee shall be appointed by the Board, on the recommendation of the Nomination Committee and in consultation with the Chairman of the Committee.
- 1.2. All members of the Committee shall be independent non-executive directors of the Company, at least one of whom shall have recent and relevant financial experience, and with competence in accounting and/or auditing. The Committee as a whole shall have competence relevant to the sector in which the Company operates.
- 1.3. Only members of the Committee and Members of the Board who are not Committee members have the right to attend Committee meetings. Other individuals and representatives of the external auditors may be invited to attend all or part of any meeting at the invitation of the Committee.
- 1.4. The Chairman of the Committee shall be appointed by the Board from amongst the independent non-executive directors. In the absence of the Chairman of the Committee the remaining members present shall elect one of themselves to chair the meeting.

**2. Secretary**

The Group Company Secretary or their designee shall act as secretary to the Committee.

**3. Quorum**

A quorum shall be any two members.

**4. Frequency of meetings**

The Committee shall meet at least three times a year, and where appropriate meetings should coincide with key dates in the Company's financial reporting cycle.

**5. Notice of meetings**

- 5.1. Meetings of the Committee shall be called by the Secretary of the Committee at the request of any of its members. The external auditors or the Group Audit and Risk Management Director may request a meeting of the Committee if they consider that one is necessary.
- 5.2. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with the agenda of items to be discussed, shall be forwarded to each member of the Committee in advance of the meeting.

**6. Minutes of meetings**

- 6.1. The Secretary shall minute the proceedings and decisions of all meetings of the Committee.

6.2. The Secretary shall circulate the minutes of meetings to the Committee, all members of the Board, the external auditors and such other attendees of the meetings as the Chairman of the Committee shall direct.

## **7. Annual General Meeting**

The Chairman of the Committee is expected to attend the Annual General Meeting to answer shareholder questions on the Committee's activities and to seek engagement with shareholders on significant matters related to the Committee's responsibilities.

## **8. Duties**

The duties of the Committee, as delegated by the Board, are:

### *Financial reporting*

- 8.1. to monitor the integrity of the financial and narrative statements of the Company, including the annual and half-yearly reports and any formal announcements or regulatory returns relating to the Company's financial performance, reviewing significant financial reporting judgements and estimates;
- 8.2. to review, and challenge where necessary, the actions and judgements of management, in relation to the half-yearly and annual financial statements before submission to the Board, paying particular attention to:
  - 8.2.1. significant accounting policies and practices, and any changes in them;
  - 8.2.2. the extent to which the financial statements are affected by any significant or unusual transactions in the year and how they are disclosed, and consideration of the methods used to account for these transactions;
  - 8.2.3. decisions requiring a major element of judgement;
  - 8.2.4. the clarity and completeness of disclosures;
  - 8.2.5. reviewing all material information in the strategic report and corporate governance statements in so far that it relates to audit and risk management, prior to endorsement by the Board;
  - 8.2.6. significant adjustments resulting from the external audit;
  - 8.2.7. assumptions and qualifications in support of the going concern and longer-term viability statements, including an assessment of the prospects of the Company looking forward over an appropriate and justified period;
  - 8.2.8. compliance with accounting standards; and
  - 8.2.9. compliance with stock exchange and other similar legal requirements.
- 8.3. to consider other topics, as defined by the Board.

### *Narrative reporting*

- 8.4. to oversee the review of the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

### *Internal control and risk management systems*

- 8.5. to review, understand and evaluate the adequacy and effectiveness of the Company's internal financial, risk, and other internal controls and their associated systems;
- 8.6. to review management's and the internal auditor's reports on the effectiveness of systems for internal financial control, financial reporting and risk management; together with monitoring management's responsiveness to their findings;
- 8.7. to review and approve the statements to be included in the annual report concerning internal controls and risk management and future risk strategy; and
- 8.8. provide advice on how, considering the Company's position and principal risks, the Company's prospects have been assessed, over what period and why the period is regarded appropriate. The Committee shall also advise on whether there is reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the elected period, drawing attention to any qualifications or assumptions as necessary.

### *Internal Audit*

- 8.9. to monitor and review the effectiveness of the Company's internal audit function on an annual basis in the context of the overall risk management system;
- 8.10. to approve the appointment or dismissal of the Group Audit and Risk Management Director;
- 8.11. to review and approve, on an annual basis, the role and mandate of the internal audit function and monitor and review the effectiveness of its work, ensuring it is appropriate to the Company's current needs;
- 8.12. to ensure that the internal audit function is adequately resourced and has appropriate standing within each company and is free from restriction;
- 8.13. to review and approve the annual internal audit plan to ensure it is aligned to the key risks of the business, and receive regular reports on work carried out;
- 8.14. to consider management's response to any major internal audit recommendations;
- 8.15. to consider the findings of major internal investigations into control weaknesses, fraud or misconduct and management's response, (in the absence of management where necessary) and assess whether it is significant and therefore requires disclosure;
- 8.16. the Group Audit and Risk Management Director shall have direct access to the Chairman of the Board and Chairman of the Committee, and is accountable to the Committee; and
- 8.17. the Group Audit and Risk Management Director shall meet with the Committee without executive directors present at least annually. A separate part of each meeting will be set aside for discussions with the Group Audit and Risk Management Director as required.

## *External Audit*

- 8.18. to consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, in relation to the appointment, re-appointment and removal of the external auditor, and confirming that its recommendation is free from influence by a third party;
- 8.19. to ensure that the external audit contract is put out to tender at least once every ten years and to conduct the selection process in accordance with all relevant UK professional and regulatory requirements. Where the external auditor has been appointed for more than five consecutive years, to ensure that future retendering plans are communicated to shareholders;
- 8.20. to investigate any issues arising from the external auditor's resignation or dismissal;
- 8.21. to oversee the relationship with the external auditor including (but not limited to):
  - 8.21.1. recommendations on their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate;
  - 8.21.2. approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - 8.21.3. to monitor and review the effectiveness of the external audit process and assess annually the external auditor's independence, objectivity and effectiveness, taking into consideration relevant UK professional and regulatory requirements, and any findings or conclusions by the Financial Reporting Council;
  - 8.21.4. to agree a policy on the employment of former employees of the external auditor and monitor the application of this policy; and
  - 8.21.5. monitoring, as part of the annual review of the external auditor, the auditor's compliance with the relevant ethical and professional guidance on the rotation of audit partner.
- 8.22. to discuss with the external auditor, before the audit commences, the nature and scope of the audit;
- 8.23. to review the proposed audit programme for each operating company with the external and internal auditors and to ensure co-ordination, where more than one external audit firm is involved;
- 8.24. to review, as part of the annual review of the external auditor, the auditors' quality control procedures and steps taken by the auditor to respond to changes in regulatory and other requirements;
- 8.25. to review any representation letter(s) requested by the external auditor before they are signed by management;
- 8.26. to review the external auditor's management letter and management's response to audit's findings and recommendations;
- 8.27. to approve the Company's formal policy on the provision of non-audit services by the auditor, including approval of non-audit services by the Committee and specifying the types of non-audit service to be pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited financial

statements. The Committee will keep under review the non-audit fees paid to the external auditors in relation to their significance to the auditors to ensure that the provision of non-audit services does not impair the external auditors' independence or objectivity and remains within policy limits;

- 8.28. to review the findings of the audit with the external auditor and review any significant findings and monitor management's response and action taken; and
- 8.29. the external auditors shall meet with the Committee without executive directors present at least annually. A separate part of each meeting will be set aside for discussions with the external auditors as required.

### *Compliance*

- 8.30. to review the adequacy and effectiveness of the Company's policies and controls relating to bribery, money-laundering, data protection, detecting fraud and competition; and
- 8.31. to review the processes for compliance with laws, regulation and ethical codes of practice and receive regular reports from the Company's compliance function.

## **9. Reporting responsibilities**

9.1. The Committee shall report to the Board on the following matters for which the Board has delegated responsibility:

- the monitoring and review of the application of policy relating to the audit of all companies within the Group;
- the monitoring and review of the consistency of compliance with and application of the accounting principles, policies and standards to be used by the Group in maintaining and producing their statutory accounts and financial reports;
- the appointment of the internal and external auditors, the external audit fee, and any questions of their resignation or dismissal;
- the review of the effectiveness of the risk management and internal control systems to give assurance to the Board that effective control is being maintained;
- the review of the Company's business and corporate governance statements (audit and risk functions); and
- the outcome of the statutory audit, explaining its contribution to the integrity of the financial statements.

9.2. A report on the Committee's duties and activities during the year shall be included in the annual financial statements, including:

- The significant issues that the Committee considered relating to the financial statements and how these issues were addressed;
- An explanation of how it has assessed the independence and effectiveness of the external audit process, the approach taken to the appointment or reappointment of the external auditor, information on the length of tenure of the external auditor, when the last tender was conducted and advance notice of any tendering plans;

- In the case of the Board not accepting the Committee's recommendation on the external auditor's appointment, reappointment or removal, a statement from the Committee explaining its recommendation and the reasons why the Board has taken a different position;
- An explanation of how the external auditor independence and objectivity is safeguarded, especially where the external auditor supplies non-audit services; and
- An explanation of how the Committee has addressed the effectiveness of the internal audit process.

## **10. Other matters**

The Committee shall:

- 10.1. investigate any activity within its terms of reference, as well as any matter referred to it by the Board for consideration.
- 10.2. Arrange for periodic reviews of its own membership and performance and, at least annually, review its constitution and terms of reference and recommend any changes it considers necessary to the Board for approval.
- 10.3. be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.
- 10.4. Work and liaise with other Board committees as necessary.
- 10.5. Make the Committee's terms of reference publicly available.

## **11. Authority**

The Committee is authorised by the Board to:

- 11.1. obtain, at the Company's expense, independent legal, accounting or other professional advice and such advisors may attend meetings as necessary;
- 11.2. seek any information that it requires from any employee of the Company and all employees are directed to cooperate with any request made by the Committee;
- 11.3. direct either the external or internal auditors to undertake investigations on its behalf and to follow up on any suspicions of fraud; and
- 11.4. commission reports from the subsidiary audit committees.

APPROVED BY THE BOARD OF DIRECTORS: 5 SEPTEMBER 2019